

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7118

Petition of New England Power Company for)
the Authorization and Approval of a four-year)
extension of its Credit Agreement and the)
Issuance of Evidences of Indebtedness)
thereunder in the Aggregate Principal Amount)
not to exceed \$230 Million Outstanding at any)
one time.)

Order entered: 11/18/2005

I. INTRODUCTION

On October 19, 2005, New England Power Company ("NEP" or "Company") filed a petition with the Public Service Board (the "Board") requesting the Board's consent to extend the terms of an existing Credit Agreement dated as of November 29, 2004 (as amended, the "Credit Agreement" or "Agreement"), with Citicorp USA, Inc., as administrative agent, for an additional four years and to the issuance of evidences of indebtedness thereunder. Alternatively, NEP seeks a Board order declining jurisdiction to approve of the Company's financing request. The petition was supported by the prefiled testimony and exhibits of Robert Seega, Assistant Treasurer, on behalf of NEP.

In its transmittal letter, NEP requested an expedited review of its petition and a Board order approving the request before November 22, 2005. According to NEP, if the Company does not obtain regulatory approval and notify its lenders by November 28, 2005, that it wishes to extend the terms of the existing Agreement, the Credit Agreement will be terminated. Failure to extend the current Credit Agreement may result in lost benefits and additional costs to arrange alternative financing.

On November 15, 2005, the Department of Public Service (the "Department") filed a letter with the Board recommending approval of the petition without further investigation or

hearing. In its November 17, 2005, letter, the Department stated that it finds the petition to be consistent with the Vermont Electric Plan.

The Company owns certain transmission lines running a few miles through Vermont and other electrical facilities. Additionally, NEP, as a wholesale provider of electricity does not provide service to retail Vermont customers. For these reasons and based on my review of the petition, supporting testimony and accompanying documents, I conclude that approval of NEP's petition is appropriate and that such approval may occur without hearing. Under 30 V.S.A. §108, the Board may consent to the Credit Agreement, including the four-year extension thereof and the issuance of evidences of indebtedness thereunder, only if it finds that such actions will be consistent with the general good of the State of Vermont. Based on the findings of fact below, I recommend that the Board make such findings and issue the requested approval.

Based upon the evidence of record, I hereby report the following findings to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS OF FACT

1. NEP is a Massachusetts corporation authorized to engage in and is engaging primarily in the business of wholesale transmission of electricity. NEP owns and operates properties in several Vermont communities used primarily for this purpose and is qualified to transact business in Vermont as a foreign corporation. NEP is a subsidiary of National Grid USA, a wholly-owned indirect subsidiary of National Grid, plc. Petition at 1.

2. The total capitalization of NEP at March 31, 2005 was \$1.5 billion. NEP's capital structure consists of 73% equity and 27% debt. Petition at 1; Seega pf. at 8.

3. NEP and certain of its affiliates are currently parties to a Credit Agreement, dated as of November 29, 2004 (as amended, the "Credit Agreement"), with Citicorp USA, Inc., as administrative agent, and various other lenders ("Lenders"). Seega pf. at 3.

4. The Credit Agreement will terminate on November 28, 2005, unless prior to such date, NEP notifies the Lenders (a) that it wishes to extend the termination date to November 29, 2009, and (b) that it has obtained all regulatory approvals that may be required for such extension. Petition at 4; Seega pf. at 5.

5. Under the Credit Agreement, NEP may borrow, on a revolving credit basis, up to an aggregate amount of \$230 Million outstanding at any time. Seega pf. at 3.

6. NEP has for many years maintained a succession of revolving credit facilities with a group of banks and other financial institutions in order to provide liquidity support for certain of NEP's tax-exempt pollution control revenue refunding bonds (the "Bonds"). Seega pf. at 3-4.

7. Each prior facility had a term of 364 days or less and NEPs total evidences of indebtedness so payable within one year from the date of issue have not exceeded twenty percent of NEPs total assets. Petition at 1, 2; Seega pf. at 4.

8. The establishment of the prior facilities has required NEP to expend funds for facility setup fees, fees of legal counsel to the lender group, and fees of NEP's own legal advisers. By extending the Credit Agreement until 2009, NEP will eliminate the necessity of entering into new credit facilities every 364 days, which will result in considerable savings of time and effort on the part of NEP, and will result in considerable cost savings. NEP estimates a total annual savings of approximately \$132,800 and a total savings over the 5-year period of approximately \$664,000. Petition at 2; Seega pf. at 5- 6.

9. The existence of a credit facility to provide liquidity support for the Bonds results in a higher credit rating for the Bonds than would otherwise apply, and thus in turn enables the Bonds to be priced at lower interest rates. Seega pf. at 4.

10. The proposed Amended Credit facility is consistent with the Vermont Electric Plan. Department 30 V.S.A. § 202(f) letter dated November 17, 2005.

III. CONCLUSION

Based on the record evidence, I conclude that the proposed extension of the Credit Agreement and the issuances of indebtedness thereunder are consistent with the Vermont Electric Plan and the general good of the State of Vermont. The Board's consent to approve this extension will result in cost savings and improved efficiencies. Accordingly, I recommend that the Board find that the Credit Agreement, and the issuances of indebtedness thereunder are consistent with the general good of the State of Vermont and issue an order to that effect.

All parties to this proceeding have waived their rights to a hearing under 30 V.S.A. §108(a) and to comment on this Proposal for Decision in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 18th day of November, 2005.

s/Thomas S. Lyle
Thomas S. Lyle
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.
2. The Board consents to and approves the Credit Agreement, as amended, including specifically the four-year extension thereof, and the issuance of evidences of indebtedness thereunder, all proposed to be undertaken by New England Power Company, and finds that the same will be consistent with and promote the general good of the State of Vermont.

Dated at Montpelier, Vermont, this 18th day of November, 2005.

<u>s/James Volz</u>)	
)	
)	PUBLIC SERVICE
<u>s/David C. Coen</u>)	
)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: November 18, 2005

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.